

Subject: RECENT DECISION BY CAREFIRST TO ELIMINATE COMMISSION PAYMENTS ON INDIVIDUAL HEALTH INSURANCE

**NOTE TO SPEAKERS: DO NOT USE THIS LANGUAGE VERBATIM WHEN YOU TESTIFY. PUT THESE POINTS IN YOUR OWN WORDS. YOU DO NOT HAVE TO USE ALL OF THEM. HOWEVER, PLEASE INCLUDE A REFERENCE TO THE “PROPOSAL” BULLET POINT BELOW IN YOUR REMARKS, SINCE THIS POSITION HAS BEEN ADOPTED BY THE MAHU BOARD.**

- **Stating the obvious:** Health insurance producers are trained, licensed professionals who provide necessary assistance to individuals who must purchase their own individual health insurance because they are ineligible for coverage through a Government program like Medicare or Medicaid and cannot obtain it through employer-sponsored group insurance. By contrast, a customer service representative at an insurance company is typically less experienced, less knowledgeable and has no business or personal relationship with the consumer.
- **Common misconception:** Despite what was claimed by advocates during the debate on the enactment of the Affordable Care Act, the purchase of individual health insurance is not a simple transaction that can be accomplished in a few seconds or minutes online.
- **Reality:** Buying individual health insurance has major financial implications for the purchaser – from the total premium, to deductibles, co-pays and cost-sharing requirements in general, to the coverages that it provides. This population of purchasers is largely unfamiliar with these factors. These people need advice and guidance to make appropriate decisions for them and their families. That is what, in a nutshell, producers provide.
- **Another reality:** Consumers have different levels of need for assistance. They also have different levels of experience with insurance producers. In parts of Maryland where there are few insurance company offices, residents rely heavily on local insurance producers they know and trust. It is essential that this personal relationship be preserved.
- **Examples of services producers provide:**
  - **Language and cultural barriers** – While this is a very narrow market, there are individual consumers who need assistance with translation from English to their native language (i.e. Russian, Spanish, Chinese, French, Farsi, Arabic, etc.).
  - **Knowledge of the provider networks:** Experienced producers would be able to assist the consumer regarding the strength of the various provider networks.
  - **Industry Jargon:** The ability of the producer to break down industry jargon for consumers
- **Effect of commission elimination:** It should be obvious that any provider of any product or service must be compensated for doing so. While the traditional method of compensating insurance producers has always been the payment of a commission that is collected by the insurer and paid to the producer, times have changed. As producers, we recognize that our services may be unbundled from the administrative services of insurance companies. We are not here to protest the action of CareFirst. We are here to illustrate the value of our services and our clients’ need for those services.
- **Proposal:** It is necessary that we address this situation sooner rather than later. We understand that Maryland insurance laws permit the charging of fees, and we wish to propose an idea that is fair to consumers, fair to producers, and will not place an additional burden on the insurance transaction.

Our proposal is simple – The producer will charge and collect, at time of initial application, a fee determined by the producer. We know that Maryland law limits any such fee to no more than 15% of the insurance premium, but we also know that producer compensation on individual health insurance has always been much lower than that figure. We are confident that a competitive marketplace will establish a range of fees that are reasonable, and the consumer may voluntarily pay them in return for the producer’s services. At time of renewal, if the insured wishes to retain the services of a producer, the producer may charge and collect a fee again. We contemplate that any fee charged by producers would include services to be provided throughout the policy year, although the details of the producer’s engagement would be negotiated between the producer and the insured.